



Testimony of Eric Gjede  
Vice President of Public Policy, CBIA  
Before the Finance, Revenue & Bonding Committee  
Hartford, CT  
March 3, 2022

**Testifying in support of  
HB 5010: AN ACT RESTORING THE RATE OF CREDIT AGAINST THE AFFECTED BUSINESS ENTITY TAX**

Good afternoon Senator Fonfara, Representative Scanlon, Senator Martin, Representative Cheeseman and members of the Finance, Revenue & Bonding Committee. My name is Eric Gjede and I am vice president of public policy for CBIA, the Connecticut Business & Industry Association. CBIA is Connecticut's largest business organization, with thousands of member companies, small and large, representing a diverse range of industries from across the state. Ninety-five percent of our member companies are small businesses with less than 100 employees.

CBIA supports HB 5010.

The business entity tax was a creative solution developed during the 2018 legislative session in response to newly enacted federal tax caps on deductions for state and local taxes. At the time, it was unclear whether this solution would survive federal scrutiny, but it has now been duplicated in other states and blessed by the IRS.

In 2018, the business community supported this new tax as it mitigated the impact of deduction caps that would have otherwise led to significant tax increases for the state's smallest businesses. Unfortunately, only one year later, a majority of lawmakers voted to reduce the business entity tax credit and retain that revenue to help address state budget deficits. The loss of this credit amounted to \$50 million a year from small businesses during what would become incredibly difficult times.

Connecticut employers, particularly small businesses, continue to face a multitude of pandemic-related challenges. Most saw operating costs increase due to supply chain issues and inflation, and an astounding 80% continue to face workforce issues. Our state's unemployment rate remains higher than the national average, and employers face looming tax increases in the coming months related to federal unemployment loans. On the bright side, smart, bipartisan fiscal policies put in place in 2017 and the influx of federal relief funds reduced some of the state's fiscal challenges. This created a unique, once in a generation opportunity to implement tax relief measures that will help cut the cost of living and the cost of doing business, make Connecticut more competitive, and boost our economy in ways that will benefit everyone.

While Connecticut may still face some fiscal challenges in the future if we are not careful, we are in a fortunate position where we can remove the burden of some taxes imposed on businesses to help mitigate deficits. Allowing businesses to keep more of their revenue will result in additional growth and investment in the state.

On behalf of small businesses across the state, we urge the committee to support HB 5010.